

# **Pennsylvania Gaming Control Board**

Joint Petition for Preliminary Approval of Change in Control  
Presque Isle Downs, Inc., Eldorado Resorts, Inc., Churchill Downs Incorporated and  
PID, LLC

*August 15, 2018*

## Agenda

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- ☐ **Attendees**
- ☐ **Transaction Overview and Ownership Structure**
- ☐ **Company Overview and Key Highlights**
- ☐ **Segment Overviews**
  - **Racing**
  - **TwinSpires/Online**
  - **Casinos**
- ☐ **Financial Overview**
- ☐ **Acquisition in Question and Funding**
- ☐ **Company's Key Attributes**
- ☐ **Change in Control Fee**

## Attendees on behalf of Churchill Downs Incorporated

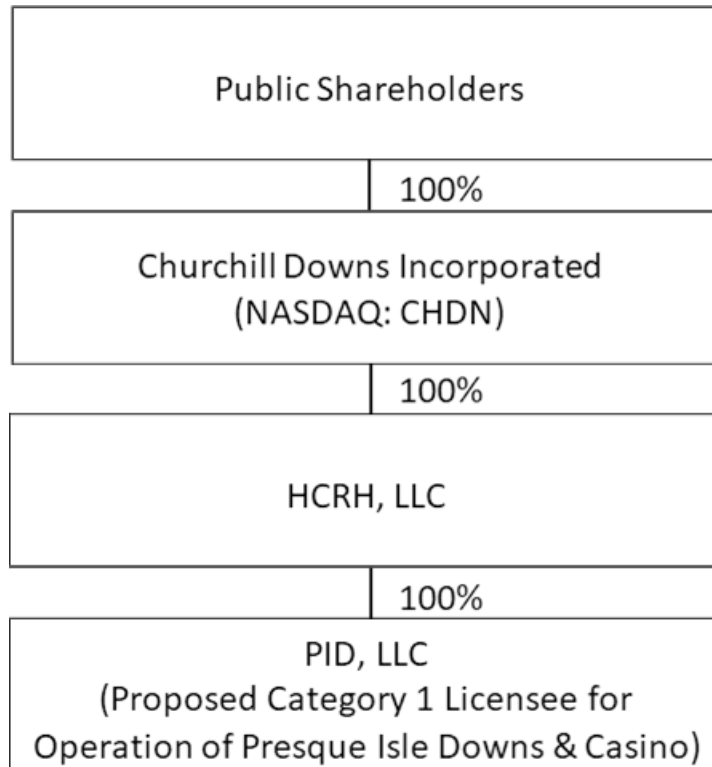
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- ☐ **Austin Miller** – SVP Gaming Operations
- ☐ **Chuck Kenyon** – SVP Human Resources
- ☐ **Brad Blackwell** – SVP and General Counsel
- ☐ **Elizabeth Wester** – VP Government Relations
- ☐ **Craig Robinson** – VP Casino Finance
- ☐ **Chad Riney** – Counsel
- ☐ **Kevin Hayes** – Outside Counsel

## Transaction Overview

- ❑ On February 28, 2018, Churchill Downs Incorporated announced that it had entered into a definitive agreement to acquire Presque Isle Downs & Casino, Inc. from Eldorado Resorts, Inc.
- ❑ While this transaction was originally contingent upon the closing of Churchill Downs' purchase of Lady Luck Casino in Vicksburg from Eldorado, the parties agreed to terminate the Lady Luck Vicksburg deal and make the Presque Isle Downs transaction contingent upon signing a definitive agreement for Churchill Downs to assume the management agreement for Lady Luck Nemacolin from Eldorado
  - This contingency was met and announced on August 13, 2018
  - Approval to assume the Nemacolin management agreement from the PGCB will be a separate approval process

## Ownership Structure



# Company Overview

## The Kentucky Derby is just the beginning

### Churchill Downs is best known for the Kentucky Derby...

- ❑ First ran in 1875 and the longest continuously held major sporting event in the United States
- ❑ Known as the “Greatest Two Minutes in Sports”

### But we have grown into much more

- ❑ Evolved from one racetrack in Louisville, Kentucky to a public company with nationwide operations through racetracks, casinos and online wagering
- ❑ Over the decades we’ve grown our company and its value to investors while keeping focus on what’s at the very heart of the Kentucky Derby brand: creating extraordinary experiences for our customers whether they visit us on site or online and constantly looking for ways to improve



## Company Overview

Churchill is an industry-leading entertainment company with iconic, diversified assets



**Racing** ... seven racetracks with four of those thoroughbred tracks highlighted by Churchill Downs Racetrack and **The Kentucky Derby**



**Casinos** ... nine casinos<sup>1</sup> & four hotels with nearly 10,000 gaming positions<sup>2</sup> located in eight different states



**TwinSpires** ... the largest<sup>3</sup>, legal online wagering platform for horseracing in the U.S., **TwinSpires.com**

<sup>1</sup> Includes MVG, 50% owned Ohio joint venture, Saratoga Casino Hotel New York and Saratoga Casino Black Hawk, 25% owned New York and Colorado equity investments, respectively and Ocean Downs in Berlin MD, a 62.5% owned equity investment. CDI has announced that it is exchanging its interest in Saratoga NY and CO for the remaining interest in Ocean Downs.

<sup>2</sup> Includes MVG, Saratoga NY and Ocean Downs video lottery terminals. Includes slots, video poker and table games at other properties and Derby City Gaming which is set to open in Fall 2018.

<sup>3</sup> Based on annual / quarterly figures released by Oregon Racing Commission for 12/31/17



## Churchill Downs' Growing Footprint of Diversified Assets



Announced on July 16, 2018 that Churchill Downs will exchange its interests in Saratoga Casino Blackhawk in Colorado and Saratoga Casino in New York for full ownership of Ocean Downs



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## **Racing Segment**

## Racing Overview

### Racing segment includes 4 Thoroughbred Racetracks

#### Churchill Downs Racetrack



- 147 acres in Louisville, KY
- Home of Kentucky Derby

#### Arlington International Racecourse



- 336 acres in western Chicago suburb, Arlington Heights
- Operates 11 OTB's
- Rich history with the "Arlington Million"

#### Calder Race Course



- 170 acres in Miami Gardens, FL
- The Stronach Group leases racing operations through 2020, driving improved Racing Ops profitability

#### Fair Grounds Race Course



- 145 acres in New Orleans
- Network of 13 Off-Track Betting (OTB's) facilities
- Video poker machines (VSI) in 12 of the OTB's
- Home of the "Louisiana Derby"
- New Orleans Jazz Festival host since 1972

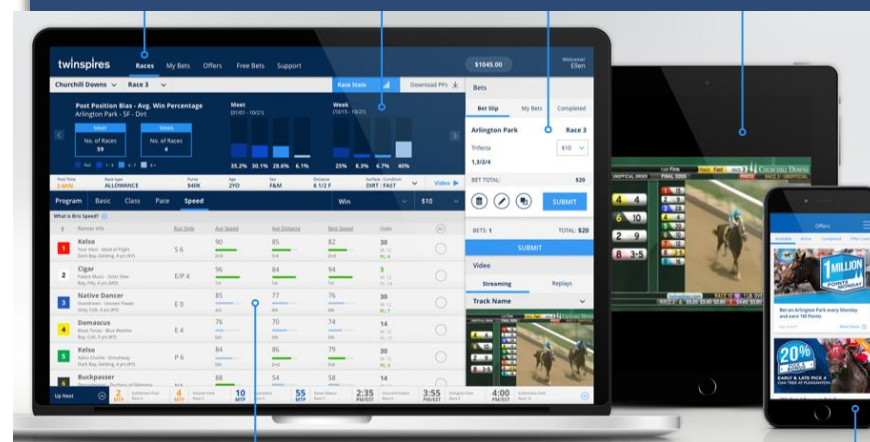
## **TwinSpires/Online Segment**

## TwinSpires Overview

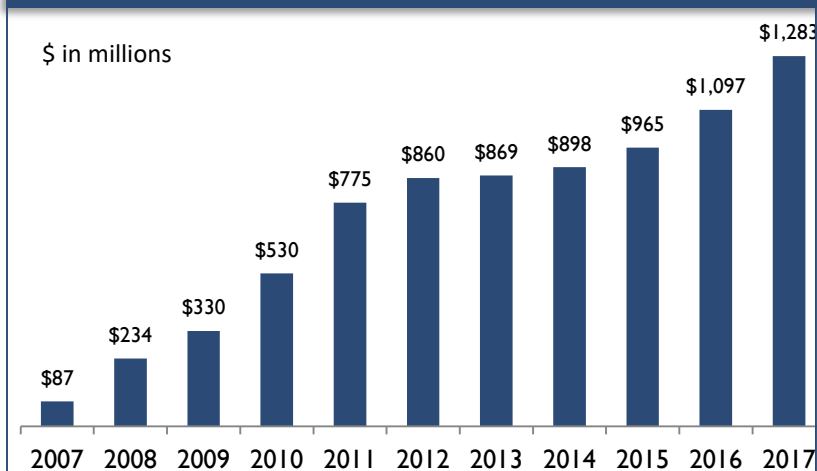
### TwinSpires is the largest, legal mobile betting operator in the US

- Launched in 2007
- Official mobile betting partner of the Kentucky Derby, the Breeders Cup World Championships, and Churchill Downs Racetrack
- Multiple wagering interfaces ... Available on any device including iOS and Android apps
- Recently announced planned entry into i-gaming and sports wagering

Delivers handicapping data, live race video, and best in class betting



### TwinSpires Handle



## Interactive Gaming

- ❑ On August 10, 2018, Presque Isle Downs, Inc. filed a petition for authorization to conduct interactive gaming for non-peer-to-peer interactive games which simulate slot machines and table games
- ❑ Churchill Downs Incorporated brings a decade of experience operating regulated online wagering on horseracing in the US while demonstrating the willingness to make substantial investments to market, develop and improve its online products
- ❑ Interactive gaming is a natural progression of our existing online wagering business and on May 16, 2018, we announced an agreement with Golden Nugget Atlantic City to enter the New Jersey online gaming and sports betting markets

### CASINOS AND GAMING

#### **Churchill Downs teams up with Golden Nugget to enter NJ sports betting and online gaming**

- The alliance between the Kentucky Derby's owner and the Atlantic City casino comes two days after the Supreme Court's sports betting decision.
- Churchill Downs also announces a partnership with SBTech to utilize the integrated technology platform for its new gaming operations.

Matthew J. Belvedere | [@Matt\\_Belvedere](#)

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## **Casino Segment**

## Our Casino Leadership Team has Extensive Industry Experience

### **Austin Miller** – SVP Gaming Operations

- 27 years of relevant experience
- 4 years in current position
- Responsible for strategy, planning and operations of CDI Casino Gaming Division
- 6 years as a property General Manager

### **Craig Robinson** – VP Casino Finance

- 25 years of relevant experience
- Responsible for operational and capital budgeting, process optimization, expense reduction and cash services
- 8 years as a property level CFO
- 9 years as a Chief Internal Auditor

### **Wade West** – Sr. Director of Marketing

- 23 years of relevant experience
- Responsible for marketing program development, direct mail strategy, marketing best practices and mobile technology
- 12 years as a property Marketing leader

### **Duncan McConnell** – Sr. Director of Slot Strategy and Performance

- 20 years of relevant experience
- 4 years in current position
- Responsible for slot purchases across all CDI properties, HRM development and slot analysis
- 7 years as a property Slot leader



## Wholly Owned Casino Properties

### We own and operate five casinos and 3 hotels

#### Calder Casino

- Facility opened in January 2010
- Located in Miami Gardens, FL, near Hard Rock Stadium
- Convenient location off FL Turnpike
- Approximately 1,141 slot machines
- Among top 3 in slots market share for South FL pari-mutuel gaming facilities



#### Oxford Casino

- Purchased in July 2013
- Located in Oxford, ME
- 941 slot machines, 28 table games
- Expanded gaming floor completed and new 107 room hotel opened November 2017



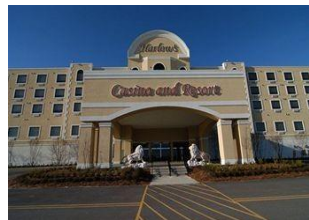
#### Fair Grounds Slots & Video Poker

- Slots facility opened in October 2008
- Located in New Orleans, LA
- 618 slot machines at FG Slots
- VSI operates 881 Video Poker Machines across 12 Off-Track Betting facilities



#### Harlow's Casino Resort & Spa

- Purchased in December 2010
- Located in Greenville, MS
- 734 slot Machines, 15 table games
- 105-room attached hotel
- #1 in gaming market share in Greenville



#### Riverwalk Casino Hotel

- Purchased in October 2012
- Located in Vicksburg, MS
- 650 slot machines, 15 table games
- Five-story, 80-room attached hotel
- Consistently #2 in gaming market share in Vicksburg and newest property in market



## Equity Investments in Casino Properties

**We have equity investments in four casinos and one hotel**

### Miami Valley Gaming (50% Equity Investment)



- Opened in Dec 2013
- Located in Lebanon, OH (North of Cincinnati, south of Dayton)
- 1,842 video lottery terminals
- Joint venture (50/50) with Delaware North
- Consistently top 3 in OH market for VLT gross win, #1 in Cincinnati market

### Saratoga Casino & Raceway (25% Equity Investment)



- Purchased 25% stake in Oct 2015
- Located in Saratoga Springs, NY
- 1,706 video lottery terminals
- Casino operations managed by CDI
- Exchanging our 25% stake for remaining stake in Ocean Downs
- 117 room hotel

### Saratoga Black Hawk (25% Equity Investment)



- Purchased 25% stake in Nov 2016
- Located in Black Hawk, Colorado
- 460 slots, 9 tables
- Exchanging our 25% stake for remaining stake in Ocean Downs

### The Casino at Ocean Downs (62.5% Equity Investment)



**OCEAN DOWNS**  
CASINO

- Purchased 50% equity stake in January 2017, coupled with 25% ownership of Saratoga partner that owns the other 50% stake, results in overall 62.5% equity ownership
- Located in Berlin, MD, near Ocean City
- Harness racetrack opened in 1949, Casino opened in 2010
- 892 video lottery terminals and 18 table games
- Moving to 100% ownership in exchange for our interest in Saratoga NY and CO



## Recently announced growth

### New Historical Racing Machine Facility in Louisville, KY



- Scheduled to open Mid-September
- 85,000 square foot facility featuring 900 state-of-the-art historical racing machines
- Two food outlets
- Feature Bar



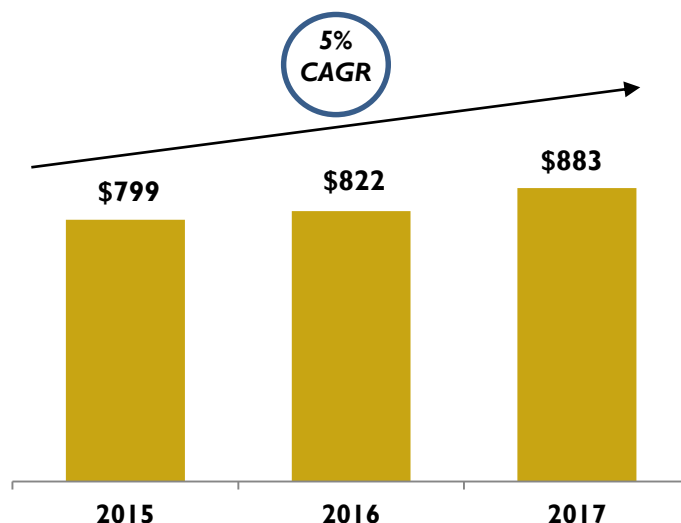
# Financial Overview

## Churchill Downs Incorporated

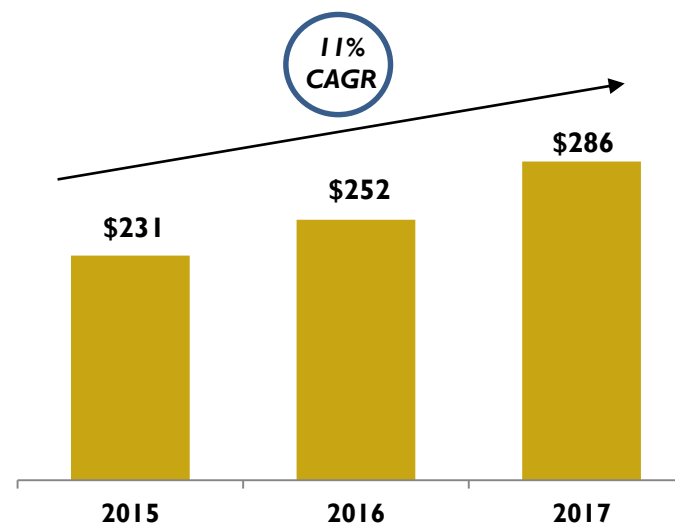
**Strong growth driven by organic growth, strategic investment in core assets, and opportunistic acquisitions**

\$ millions

### Revenue



### Adjusted EBITDA



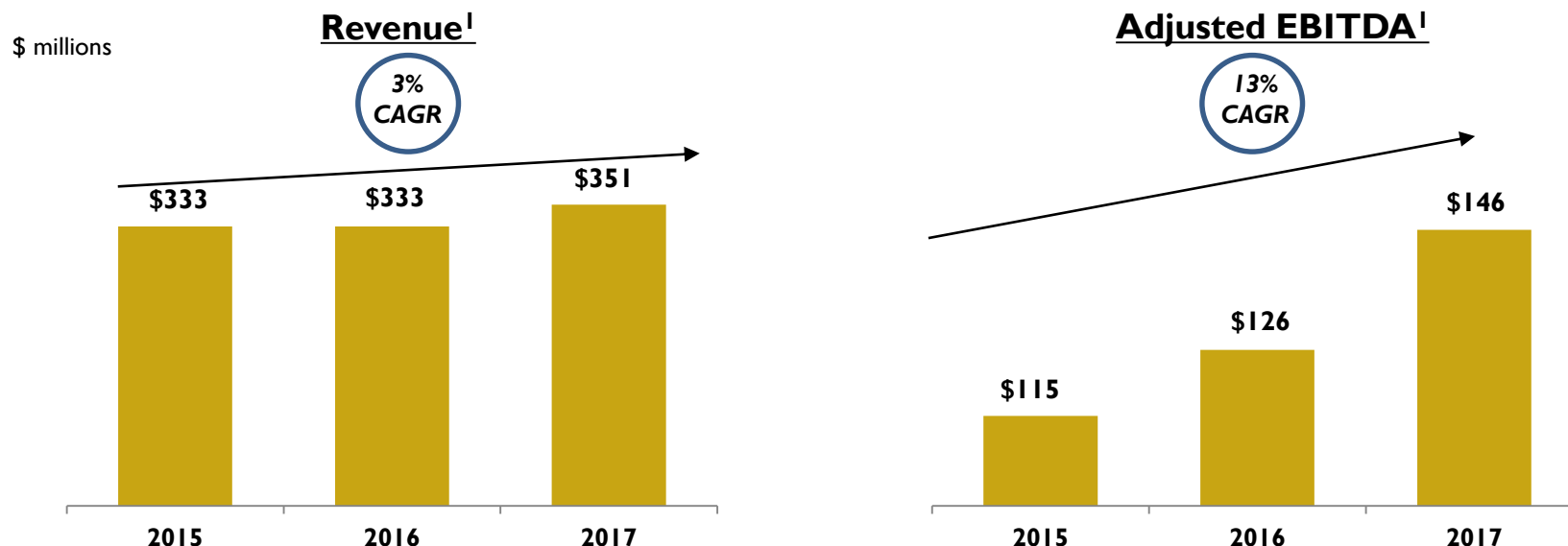
### Key Drivers of Growth

- Ongoing strategic investments in the Kentucky Derby
- Organic investments to grow existing owned gaming properties
- Strong core organic growth from TwinSpires
- Investments in Ocean Downs and Saratoga casino joint ventures
- Integration of small acquisitions including BetAmerica

Note: Audited financials excluding Big Fish Games, Revenues from Casino JV's excluded from total CDI Revenues

## Casino Segment Financial Overview

Multiple, smaller bets in various geographies provides for solid growth profile



### Current Casino Profile

- 10,000 gaming positions located in 8 states
- Wholly own and operate 5 casinos and 3 hotels
- Joint venture equity investments in 4 casinos and 1 hotel

<sup>1</sup>Net revenue does not include the net revenue of our equity investments in casino properties. Adj. EBITDA includes Churchill Downs's portion of the Adj. EBITDA of our equity investments in casino properties based on our ownership percentage.

## Strong Financial Policies & Balance Sheet

### Leverage and free cash flow

- Modest net leverage of 2.3x as of June 30, 2018
- Ideal target is 3.0x –4.0x leverage ... willing to go slightly higher for a strategic acquisition
- Disciplined maintenance capital spending
- Cash from operations used for strategic organic investments, accretive acquisitions, dividends and debt repayment

### Balance sheet

- Maintain appropriate levels of operating cash on hand to run our gaming and racing operations
- Maintain significant availability under our secured revolving credit facility
- Protect the history of the Kentucky Derby

### Capital distribution philosophy

- Dividends are considered annually by the Board of Directors based on health of the Company
- Opportunistic share repurchases over the medium to longer term dependent upon free cash flow generation, leverage levels, and other investment opportunities to grow the business

### General

- Maintain broad and expedient access to the capital markets
- Engage in open and active dialogue with rating agencies, gaming regulators, and high yield investors



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# Diversity



## Diversity is reflected in our Gaming Operations Management Team



Maureen Adams  
President & General Manager  
Calder Casino



Domenic Mancini  
President & General Manager  
Miami Valley Gaming



Roscoe Green  
General Manager  
Harlow's Casino Resort & Spa



Ginny Tzotzolas  
General Manager  
Riverwalk Casino Hotel



Doug Shipley  
President  
Fair Grounds Race Course & Slots



Bobbi Sample  
General Manager  
Ocean Downs Casino



Jack Sours  
General Manager  
Oxford Casino & Hotel

## Presque Isle Downs & Casino Diversity Plan Policy Statement

- ❑ Churchill Downs will remain committed to the Diversity Plan used by Presque Isle Downs & Casino
- ❑ All components of the plan will remain in place



*Presque Isle Downs Housekeeping Employees 10 Year Anniversary*



# **Acquisition and Funding**

## Presque Isle Downs & Casino



- Opened in February 2007 in Erie, Pennsylvania
- Operates ~1,600 slot machines, 32 table games and a 7 table poker room on a 272 acre site
- Conducts ~100 live thoroughbred race dates each year
- 153,400 sq. ft. facility
- Applied for interactive gaming on August 10, 2018



## The Investment Rationale and Upside of Presque Isle Downs & Casino

- ❑ Pennsylvania is a significant gaming jurisdiction in a large state that we have been interested in for years
- ❑ Continues to scale our gaming portfolio in an accretive manner
- ❑ Upside of I-gaming and sports betting
- ❑ Touches all of our business segments and plays to our strengths:
  - Racing
  - Casinos
  - Online wagering

## Funding of Transaction

**Funding of \$178.9 million purchase price based on timing, but from the following sources:**

- ☐ Cash from Operations
  - Generated \$185 million cash flow from operating activities in 2017 (less maintenance capital)
- ☐ Availability under Revolving Credit Facility
  - Approx. \$700 million
- ☐ Cash from the sale of Big Fish Games
  - \$500 million of \$990 million used for share repurchase in 2018



# Key Attributes

## Company's Key Attributes

- ☐ Excellent reputation with a brand and operations that date back to 1875
- ☐ Public company with a successful track record
- ☐ Strong balance sheet
- ☐ Already licensed in multiple jurisdictions
  - 64 gaming licenses
  - 40 States and 3 Canadian Provinces
- ☐ Proven experience in racing, gaming and online wagering
- ☐ Seamless continuation of existing operations
- ☐ Reputation for creating extraordinary experiences for our customers and constantly looking for ways to improve



## In Closing...

Churchill Downs Incorporated looks forward to welcoming  
Presque Isle Downs and its over 800 employees  
to our team and working with the  
Pennsylvania Gaming Control Board to grow the business and  
participate in the new forms of wagering in Pennsylvania

The logo for Churchill Downs Incorporated, featuring the company name in a white serif font on a dark blue rectangular background.

CHURCHILL DOWNS  
INCORPORATED

The logo for Presque Isle Downs & Casino, featuring a stylized blue horse head profile above the text "presque isle" in a blue sans-serif font, with "downs & casino" in a grey sans-serif font below it.

presque isle  
downs & casino

## **Change in Control Fee**

## Change in Control Fee

### Request to maintain the \$2.5 million change in control fee

- ❑ **Competitive environment**
- ❑ **Comparative revenues**

	Gross Terminal Revenues (3 Year Average)	Gross Table Games Revenues (3 Year Average)	Combined Gross Terminal Revenues and Gross Table Games Revenues (3 Year Average)	Change in Control Fee
Valley Forge	\$ 78,095,701	\$ 34,555,187	\$ 112,650,888	\$1,350,000
Presque Isle Downs & Casino	\$ 115,769,561	\$ 14,284,637	\$ 130,054,198	\$2,500,000 (suggested)
Washington Trotting Association	\$ 219,983,809	\$ 31,166,190	\$ 250,459,999	\$3,750,000